

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 1997)

RECEIVED

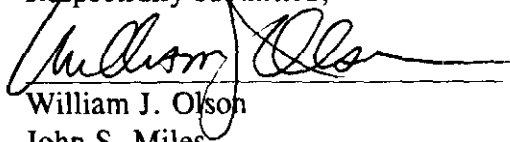
Nov 3 3 31 PM '97
Docket No. R97-1

VAL-PAK DIRECT MARKETING SYSTEMS, INC.
VAL-PAK DEALERS' ASSOCIATION, INC., AND
CAROL WRIGHT PROMOTIONS, INC.

FIRST INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO POSTAL SERVICE WITNESS MICHAEL R. MCGRANE (VP-CW/USPS-ST44-1-22)
(November 3, 1997)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Val-Pak Direct Marketing Systems, Inc., Val-Pak Dealers' Association, Inc., and Carol Wright Promotions, Inc., d/b/a "Cox Direct," hereby submit interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

Respectfully submitted,



William J. Olson

John S. Miles

Alan Woll

John F. Callender, Jr.

William J. Olson, P.C.

8180 Greensboro Drive, Suite 1070

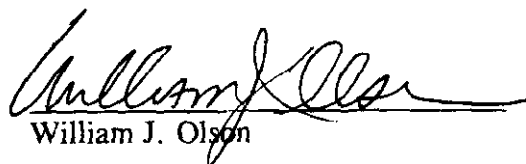
McLean, Virginia 22102-3823

(703) 356-5070

Counsel for Val-Pak Direct Marketing Systems, Inc.,
Val-Pak Dealers' Association, Inc., and
Carol Wright Promotions, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by hand delivery or mail the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



William J. Olson

November 3, 1997

VP-CW/USPS-ST44-1.

Please refer to Exhibit USPS-44B (a/k/a LR-H-182), study of Standard A costs by weight increment.

- a. Please explain the extent of your responsibility for design of the study. To the extent that you were not solely responsible for the study design, did primary responsibility rest with Christensen Associates or with the Postal Service?
- b. Please explain the extent of your responsibility for execution of the study.

VP-CW/USPS-ST44-2.

Please explain your understanding of the theory that underlies the use of IOCS tallies to study the effect of weight on mail processing costs of Standard A mail.

VP-CW/USPS-ST44-3.

Please explain any theory which you personally have about how weight affects the cost of Standard A mailpieces, especially mail processing costs, and indicate the type of data or evidence that you would consider most appropriate to investigate and document your own theory. In your response, please discuss the possibility of using any methodology of which you are aware, including but not limited to computer simulation studies, time and motion studies, mail flow models, statistical studies using data other than IOCS tallies, etc. (*i.e.*, do **not** limit your response to a study based on IOCS tallies).

VP-CW/USPS-ST44-4.

Please refer to Exhibit USPS-44B (LR-H-182), Tables 3-6, cost by ounce increment for Standard A Mail.

- a. For the mail processing costs, Segment 3.1, shown in these four tables, please indicate within each table, for each ounce increment, the number of IOCS tallies underlying the costs shown.
- b. What is the minimum number of tallies needed for a reliable estimate of costs within a single one-ounce cell? What is the maximum variance that is acceptable for an estimate to be considered *reliable*?
- c. Please confirm that the IOCS mail processing tallies which you used for this study have a field which indicates whether the clerk or mailhandler tallied was handling (i) a piece of mail, (ii) an item, or (iii) a container. If you do not confirm, please provide a list showing all information contained on IOCS mail processing tallies provided to Christensen Associates for this study.
- d. Assuming that information described in preceding part c is available, for each of these four tables please provide a breakdown of the mail processing tallies in each ounce increment showing whether the person tallied was handling (i) a piece, (ii) an item, or (iii) a container.

VP-CW/USPS-ST44-5.

When an IOCS mail processing tally used for the study in USPS-44B (LR-H-182) recorded a clerk or mailhandler as handling an item, please confirm that the item could be a container, bundle, pallet, pouch, sack, or tray. If the preceding list includes anything not classified as an item, or excludes anything that may also be classified as an item, please specify.

VP-CW/USPS-ST44-6.

When an IOCS mail processing tally used for the study in USPS-44B recorded a clerk or mailhandler as handling an item, and a weight was also recorded on the tally, please explain how you interpreted and treated the recorded weight. Specifically, did you interpret and treat the weight as (i) a single piece of mail (e.g., the top piece), (ii) the item itself (e.g., a bundle), or (iii) something else? Regardless of your answer, please explain the rationale.

VP-CW/USPS-ST44-7.

Assume that one or more of the IOCS mail processing tallies used for the study in USPS-44B recorded a clerk or mailhandler as handling an item, and the weight recorded on the tally is less than one ounce.

- a. What items handled by the Postal Service weigh less than one ounce?
- b. Did you interpret the weight (under 1 ounce) recorded on the tally to refer to a piece of Standard A mail, or to the item itself?
- c. How were such tallies used in the study in USPS-44B (LR-H-182)?

VP-CW/USPS-ST44-8.

Assume that one or more of the IOCS mail processing tallies used for the study in USPS-44B (LR-H-182) recorded a clerk or mailhandler as handling an **item**, and the weight recorded on the tally is between 10 and 16 ounces.

- a. What items handled by the Postal Service weigh between 10 and 16 ounces? Please explain your answer.
- b. Did you interpret the 10 to 16 ounce weight recorded on the tally to refer to a piece of Standard A mail, or to the item itself? Please explain your answer.
- c. How were such tallies used in the study in USPS-44B (LR-H-182)?

VP-CW/USPS-ST44-9.

Assume that one or more of the IOCS mail processing tallies used for the study in USPS-44B (LR-H-182) recorded a clerk or mailhandler as handling an **item**, and the weight recorded on the tally was more than 16 ounces.

- a. Would you agree that the weight (more than 16 ounces) recorded on the tally cannot refer to a piece of Standard A mail? Please explain any disagreement.
- b. How were such tallies used in the study in USPS-44B (LR-H-182)? If any tallies were deleted or ignored on account of the weight recorded on the tally, please provide a full explanation concerning the treatment of all such tallies when preparing the study in LR-H-182.

VP-CW/USPS-ST44-10.

When an IOCS direct mail processing tally used for the study in USPS-44B (LR-H-182) recorded a clerk or mailhandler as handling a **container**, please confirm that the container could be an APC, a hamper, a nutting cart, or an OTR. If the preceding list includes anything not classified as a container, or excludes anything that is classified as a container, please specify.

VP-CW/USPS-ST44-11.

When as IOCS mail processing tally used for the study in USPS-44B (LR-H-182) recorded a clerk or mailhandler as handling a **container**, and a weight was recorded on the tally, please explain how you interpreted and treated the recorded weight. Did you treat the weight as referring to (i) a single piece of mail (*e.g.*, the top piece); (ii) an item (*e.g.*, a bundle or a tray); or (iii) something else? Please explain the rationale for whatever treatment it was accorded.

VP-CW/USPS-ST44-12.

Assume that an IOCS mail processing tally used for the study in USPS-44B (LR-H-182) recorded a clerk or mailhandler as handling a **container**, and the weight recorded on the tally is *less than one pound*.

- a. What containers handled by the Postal Service weigh less than one pound? Please explain your answer.
- b. Did you interpret the weight (under 1 pound) recorded on the tally to refer to a single piece of Standard A Mail, or to an item in the container (*e.g.*, a bundle or tray of mail)? Please explain your answer.

- c. How were such tallies used in the study in USPS-44B (LR-H-182)?

VP-CW/USPS-ST44-13.

Suppose an IOCS mail processing tally used for the study in USPS-44B (LR-H-182) recorded a clerk or mailhandler as handling a **container**, and the weight recorded on the tally **exceeded** 16 ounces. Did the study of the relationship between weight and cost in LR-H-182 treat this tally as being in the 15 to 16-ounce category, were such tallies discarded, or were they utilized in some other way? Please explain.

VP-CW/USPS-ST44-14.

At the outset of the study in USPS-44B, how many mail processing IOCS tallies were you provided for each of the Tables 3-6?

VP-CW/USPS-ST44-15.

Please provide a plain language description of all editing procedures that you used to distinguish and separate any IOCS tallies considered inappropriate or unusable for a study designed to determine the effect of weight on cost of Standard A mail.

- a. What criteria were used to establish that a tally was minimally acceptable?
- b. If no such editing was undertaken, please explain why it was not considered necessary.
- c. Please provide a copy of any edit program(s) used by Christensen Associates in the execution of the study contained in LR-H-182.

VP-CW/USPS-ST44-16.

- a. From the original set of IOCS mail processing tallies provided by the Postal Service, how many were deleted or identified as questionable by your editing or scrubbing procedures?
- b. Of the original set of IOCS mail processing tallies for Standard A Mail provided by the Postal Service, how many had a recorded weight greater than 16 ounces?
- c. Of those mail processing tallies that had a recorded weight in excess of 16 ounces, how many were (i) single pieces, (ii) items, and (iii) containers?

VP-CW/USPS-ST44-17.

Please provide (i) a copy of all mail processing tallies used in the study in LR-H-182; (ii) a complete explanation as to format (*e.g.*, database, spreadsheet); (iii) any instructions necessary to read the tallies in a PC; and (iv) an explanation of the information contained in each field.

VP-CW/USPS-ST44-18.

Please refer to LR-H-111.

- a. Please confirm that this study purports to document the relationship between weight and cost for (i) transportation costs, and (ii) certain dock handling costs. If you do not confirm, please explain your answer, and provide your interpretation of the purpose and nature of LR-H-111.
- b. To what extent does the inclusion of Segment 14 costs in USPS-44B (LR-H-182) replicate the study in LR-H-111?

- c. According to the study in LR-H-111, dropshipment avoids weight-related costs. Please explain how the study in USPS-44B controlled for dropshipment and the obvious effect that dropshipment has on weight-related costs.

VP-CW/USPS-ST44-19.

For the database of IOCS mail processing tallies used for the study in USPS-44B (LR-H-182), how many were (i) direct tallies (ii) mixed mail tallies, and (iii) indirect tallies? Please explain what information recorded on the tally distinguishes between the three preceding possibilities.

VP-CW/USPS-ST44-20.

Assume that an IOCS mail processing tally used for the study in USPS-44B (LR-H-182) recorded a clerk or mailhandler as handling an **individual piece** of Standard A Mail, and the weight recorded on the tally was more than one pound. Please explain how all such tallies were treated in the study of the relationship between weight and cost in LR-H-182.

VP-CW/USPS-ST44-21.

Did any Standard A mixed mail tallies used for the study in USPS-44B (LR-H-182) have a weight recorded on them?

- a. Unless your answer is an unqualified negative, please explain what the recorded weight represents; *e.g.*, top piece, average weight of counted pieces, etc.

- b. Please explain how mixed mail tallies were used in the study on the relationship between weight and cost.

VP-CW/USPS-ST44-22.

Please explain whether the number of mail processing IOCS tallies that were used for the study in USPS-44B equals the number of mail processing tallies that were used to distribute mail processing costs to the four subclasses of Standard A Mail. If they were not equal, for each subclass please indicate (i) the number of tallies used to distribute mail processing costs, (ii) the number of tallies used to study the weight-cost relationship, and (iii) explain all reasons why not every tally used to distribute mail processing costs was used to study the effect of weight in cost.